



January 28, 2016

Rebecca E. Weirick
Executive Director
Army Contracting Command-Redstone Arsenal

Army Contracting: Training and Guidance Needed to Ensure Appropriate Use of the Option to Extend Services Clause

Dear Ms. Weirick:

In October 2015, we reported on agencies' use of bridge contracts, including the use of a Federal Acquisition Regulation (FAR) clause regarding the option to extend services as a way to bridge a potential gap in services.¹ In our report, we found that most—20 of 29—of the contracts we reviewed in-depth had used the option to extend services clause to bridge, at least in part, a gap in services. We also found, however, that in 5 of these cases, contracting officials had failed to follow the clause in that they extended the contract's period of performance beyond the terms of the clause.

Because several of these instances occurred at the Army Contracting Command's Redstone Arsenal, we are bringing the issue to your attention, along with a recommended action. This correspondence is based on work conducted as a part of our October 2015 review, which was originally requested by members of the Senate Committee on Homeland Security and Governmental Affairs. In this correspondence, we examined, for selected Army contracts, how the option to extend services clause was used to bridge a potential gap in services, and the extent to which it was used in accordance with federal regulations.

To conduct this work, we relied on the methodology from our October 2015 review. For that report, we selected 29 contracts, including 5 awarded by the Army Contracting Command-Redstone Arsenal, for an in-depth review. These contracts were selected based on several factors, specifically the contract value, our goal of obtaining a mix of contract extensions and stand-alone bridge contracts, and the location of the contract files. To review the Army contracts, we conducted a site visit to Redstone Arsenal, Alabama, where we collected and analyzed contract documentation for the bridge contract, the contract preceding it, and, if awarded at the time of our review, the follow-on contract. We interviewed contracting and program officials to discuss the facts and circumstances related to the award of the bridge contracts and the challenges, if any, related to their use. In addition, we used information in the Federal Procurement Data System-Next Generation (FPDS-NG) to identify the value of the contracts. Finally, we reviewed the FAR—in particular, FAR sections 37.111 and 17.208(f), which provide for the use of FAR clause 52.217-8, option to extend services—to better

¹GAO, *Sole Source Contracting: Defining and Tracking Bridge Contracts Would Help Agencies Manage Their Use*, GAO-16-15, (Washington, D.C.: Oct. 14, 2015).

understand the rules related to the use of this clause, and compared the Army's use of this clause on the selected contracts to the terms and limitations of the clause.²

More information on our scope and methodology can be found in our October 2015 report.³ We conducted the work on which this report is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

If a contracting officer needs to extend an existing contract to avoid a potential gap in services, the contracting officer may use a number of different authorities to do so. If the contract includes the option to extend services clause, the contracting officer could use this option to extend the contract. Contracting officers may exercise the option to extend services clause more than once as long as the total period of performance does not exceed 6 months. Specifically, FAR section 17.208(f) provides for the use of FAR clause 52.217-8, option to extend services, in solicitations and contracts for services when the inclusion of an option is appropriate. FAR section 37.111 notes that contracting officers may use this clause to avoid negotiation of short extensions to existing contracts and continue the performance of any services within the limits specified in the contract. The clause and associated provisions were established in 1989 so as to provide a way for the government to continue to receive services on recurring requirements when the award of subsequent contracts might be delayed, such as when there is a bid protest.

In our October 2015 review of agencies' use of bridge contracts, we found that agencies used the option to extend services clause as a way to bridge the potential gap in services for most of the 29 contracts reviewed in-depth. Since no formal definition of bridge contracts exists, for the purposes of our October 2015 report we defined bridge contracts as (1) an extension to an existing contract beyond the period of performance (including base and option years), or (2) a new short-term contract awarded on a sole-source basis to an incumbent contractor to avoid a lapse in service caused by a delay in awarding a follow-on contract.

Option to Extend Services Clause Used Improperly in Several Army Contracts Reviewed

For three of the five contracts we reviewed in-depth at the Army's Redstone Arsenal, we found that the contracting officers had improperly extended the contract for longer than 6 months using the option to extend services clause (see table 1). Further, for one of the three contracts, although the Army cited the option to extend services clause to extend the contract, the clause itself had not been incorporated into the contract.

²Our analysis of the Army's use of FAR clause 52.217-8 focused on the duration of the extensions of performance citing the clause.

³GAO-16-15.

Table 1: Use of the Option to Extend Services Clause in Three Army Contracts Awarded at the Army's Redstone Arsenal

Services	Period of performance (including options) at the time of award	Months extended citing the option to extend services clause	Total contract value reported in FPDS-NG
Computer support Services	12 months	12 months --First extension: 6 months --Second extension: 6 months	\$14.5 million
Information technology support services	12 months	10 months --First extension: 6 months --Second extension: 4 months	\$22.4 million
Testing and evaluation capabilities for weapon systems	24 months	11 months --First extension: 4 months --Second extension: 7 months	\$ 75.9 million

Source: GAO analysis of Army contracting documents and FPDS-NG data. | GAO-16-262R

Additional details on each of these contracts and the extensions are included below:

- A sole-source bridge contract to provide computer support services such as hosting, computer operations, application maintenance, and other services in support of the Army's Warfighter and Business Processes was extended using this clause for a total of 12 months. The bridge contract was awarded in August 2011 with a period of performance, including contract options, of 12 months. Then in June 2012, the contracting officer signed a modification to extend the contract by 6 months from August 2012 to February 2013. The modification cited the option to extend services clause as the authority for that extension. In February 2013, the contract was once again extended for 6 months—from February 2013 to August 2013—also citing the option to extend services clause. The extension included another six one-month options that were not exercised.
- A sole-source bridge contract to provide information technology support services, including server administration, network convergence, and desktop and server software support, was extended for a total of 10 months citing the clause, although the clause had not been incorporated into the contract. The bridge contract was awarded by the Army in January 2014 for a period of 12 months, including options. In January 2015, a contract modification citing the option to extend services clause was signed by the contracting officer to extend the contract for up to an additional 6 months from January 2015 to July 2015. In July 2015, the contract was once again extended for up to 4 months citing the option to extend services clause.
- A sole-source indefinite delivery, indefinite quantity bridge contract to provide testing and evaluation capabilities for weapons systems used the option to extend services clause to

extend the contract for 11 months. The bridge contract was awarded in March 2012 with a period of performance of 24 months. In April 2014, the contracting officer cited the option to extend services clause, among other authorities, to extend the period of performance for approximately 4 months to September 2014. In September 2014, the contracting officer once again cited the option to extend services clause, among other authorities, to extend the period of performance of the contract by approximately 7 months to April 2015.

In our October 2015 report, we found that multiple factors contributed to the use of bridge contracts, including an inexperienced and overwhelmed acquisition workforce. For example, Army contracting officials told us that lack of continuity and experience in both the program and contracting offices contributed to the delays in the award of a follow-on contract, thus contributing to the need for a bridge contract. Also, three Army contracting officials told us that the command did not have enough experienced contracting officials to run source-selection boards, and one Army official told us that her overwhelmed contracting office struggled to award new contracts in a timely manner.

Conclusions

The Army's use of the FAR option to extend services clause for periods greater than 6 months on several contracts in our review failed to follow the terms and limitations of the clause. As we concluded in our October 2015 report, when noncompetitive contracts are used frequently or for prolonged periods, the government is at risk of paying more than it should for goods and services. The same is true when the option to extend services clause is used for longer than permitted, thus delaying potential competition. Further, in one instance, the clause was used even though it had not been incorporated into the contract. Given the misuse of the clause in several of the Army Contracting Command-Redstone Arsenal contracts we reviewed, action is needed to ensure contracting officials have a full understanding of the appropriate use of this contract clause.

Recommendation for Executive Action

We recommend that the Executive Director of the Army Contracting Command-Redstone Arsenal provide training and, in a timely manner, issue a formal reminder to contracting officers on the appropriate use of the option to extend services clause, in particular the period of performance limitations prescribed by the clause.

Agency Comments

We provided a draft of this product to the Department of Defense for comment. In its written response, reproduced in the enclosure, the department concurred with our recommendation and stated that the Army intends to issue a memorandum by March 31, 2016, to remind its contracting professionals about the appropriate use of the option to extend services clause and the importance of ensuring that modification authorities are correctly cited.

We are sending copies of this report to the appropriate congressional requesters. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>. If you or your staff have any questions about this report, please contact me at (202) 512-4841 or mackinm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report include Janet McKelvey (Assistant Director), Guisseli Reyes-Turnell (Analyst-in-Charge), Pete W. Anderson, and Alyssa Weir.

Sincerely,

A handwritten signature in black ink that reads "Michele Mackin". The signature is fluid and cursive, with "Michele" on the top line and "Mackin" on the bottom line.

Michele Mackin, Director
Acquisition and Sourcing Management

Enclosure

Enclosure: Comments from the Department of Defense



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

JAN 15 2016

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

Ms. Michele Mackin
Director, Acquisition and Sourcing Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Mackin:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report, GAO-16-262R, "Training and Guidance Needed to Ensure the Army's Appropriate Use of the Option to Extend Services Clause" dated December 11, 2015 (GAO Code 100403). Detailed comments on the report recommendations are enclosed.

Sincerely,

Claire M. Grady
Director, Defense Procurement
and Acquisition Policy

Enclosure:
As stated

JAN 15 2016

**GAO Draft Report Dated December 11, 2015
GAO-16-262R (GAO CODE 100403)**

**“TRAINING AND GUIDANCE NEEDED TO ENSURE THE ARMY’S APPROPRIATE
USE OF THE OPTION TO EXTEND SERVICES CLAUSE”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATION**

RECOMMENDATION: The GAO recommends that the Executive Director of the Army Contracting Command-Redstone Arsenal provide training and, in a timely manner, issue a formal reminder to contracting offices on the appropriate use of the option to extend services clause, in particular the period of performance limitations prescribed by the clause.

DoD RESPONSE: Concur. The Army intends to issue a memorandum by 31 March 2016 to remind their contracting professionals about the proper use of the “Option to Extend Services” clause, and the importance of assuring that modification authorities are correctly cited.

(100403)

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